

Message Text

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NSCE-00 USIE-00 INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 SAM-01

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FRB-03

IO-13 OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 /152 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 2884

INFO ALL OECD CAPITALS 0374

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AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY YAOUNDE

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AMEMBASSY JAKARTA

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AMEMBASSY TEHRAN

AMEMBASSY KINGSTON

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AMEMBASSY ISLAMABAD

AMEMBASSY LIMA

AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC: JULY COMMISSIONS - SECOND DAY

1. SUMMARY: ON JULY L3, SECOND DAY OF JULY ROUND OF CIEC COMMISSIONS, JOCKEYING CONTINUED ON ESTABLISHMENT OF COMMISSION WORK PROGRAMS FOR SECOND PHASE OF CIEC. END SUMMARY.

2. ENERGY COMMISSION - DISCUSSION OF ENERGY COMMISSION FOCUSED ON A PROPOSED WORK PROGRAM PAPER PRESENTED IN BEHALF OF DC'S BY SWISS DEL. PAPER WAS AMALGAM OF PREVIOUS G-8 AND G-L9 PROPOSALS, UNDER THREE OVERLAPPING HEADINGS: A) GENERAL COOPERATION TO ASSURE A SMOOTH TRANSITION TO NEW ENERGY ERA AND COVERING ALL MAJOR PROBLEM AREAS; B) COOPERATION IN SPECIAL FIELDS INCLUDING ENERGY DEVELOPMENT AND TECHNOLOGY TRANSFER IN EDDC'S AND COOPERATION WITH PRODUCERS TO ASSURE THEY HAVE ADEQUATE ENERGY SUPPLIES AFTER PRESENT RESERVES DEPLETED; AND C) PRACTICAL METHODS OF COOPERATION TO IMPLEMENT AGREED COOPERATIVE MEASURES ON A CONTINUING BASIS. G-L9 REACTION TO PAPER WAS GENERALLY POSITIVE, BUT G-L9 REPS CONTINUED OBJECT TO LACK OF A PROPOSED SEQUENCE FOR DISCUSSION OF KEY ISSUES. COMMISSION AGREED TWO-CO-CHAIRMEN WOULD ATTEMPT WORK OUT COMMON WORK PROGRAM AND RESOLVE PROBLEM OF SEQUENTIAL VERSUS SIMULTANEOUS DISCUSSION OF TOPICS.

3. ENERGY COMMISSION ALSO HEARD PRESENTATION BY IBRD, MADE IN RESPONSE TO G-L9 CRITICISM OF JUNE MEETING THAT WORLD BANK EFFORTS IN ENERGY INVESTMENT WERE INADEQUATE. IBRD REP (VOORHOEVE) ACKNOWLEDGED THAT BANK'S ACTIVITY IN ENERGY SECTOR IN PAST HAD BEEN RELATIVELY SMALL, BUT SAID THIS WAS BECAUSE ECONOMIC JUSTIFICATION FOR INVESTMENT HAD BEEN MARGINAL WHEN OIL PRICES WERE LOW AND BECAUSE SOME CAPITAL IN FACT WAS AVAILABLE FROM OTHER SOURCES. HE SAID BANK WAS CURRENTLY REVIEWING ITS

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ENERGY INVESTMENT POLICY IN LIGHT OF NEW CIRCUMSTANCES, HOWEVER, AND A DECISION RE FUTURE POLICY WAS EXPECTED SOON. G-L9 REPS, IN DISCUSSION OF BANK'S REPORT, FOCUSED ON TWO POINTS: (L) NEED FOR CHANGE IN BANK POLICY TO GIVE HIGHER PRIORITY TO ENERGY; AND (2) LIKELY NEED FOR EXPANSION OF BANK'S CAPITAL BASE TO SUPPORT GREATER ACTIVITY IN ENERGY SECTION.

4. RAW MATERIALS COMMISSION - IN RAW MATERIALS

COMMISSION, G-8 DELS DEVOTED MOST OF JULY L3 TO
WORKING OUT AN AGREED WORK PROGRAM FOR SECOND HALF
OF YEAR TO SERVE AS COUNTERPROPOSAL TO G-L9 LIST.
BROAD CONSENSUS WAS REACHED ON CHAPEAU PARAGRAPHS,
WHICH CITE OPERATIVE PORTIONS OF COMMUNIQUE OF
SENIOR LEVEL OFFICIALS MEETING AND MAKE REFERENCE TO
"IMPROVEMENT OF COMMODITIES MARKETS (INTEGRATED
PROGRAM AND COMMON FUND)" AS PERMANENT AGENDA ITEM,
AND ON NEUTRALLY PHRASED LIST OF TOPICS GROUPED
UNDER THREE HEADINGS -- "IMPROVEMENT IN COMMODITY
PRODUCTION," "IMPROVEMENT IN COMMODITY TRADE," AND
"IMPROVEMENT IN EXPORT EARNINGS AND OTHER QUESTIONS."
SWEDES, HOWEVER, WOULD NOT ACCEPT THIS APPROACH ON
GROUNDS THAT IT WAS TOO FAR FROM WHAT G-L9 WANTED.
AS RESULT, LDC CO-CHAIRMAN MIYAZAKI WAS UNABLE TO
ATTACH G-8 LABEL TO DC'S COUNTER PROPOSAL AND IN
PLENARY G-L9, DESPITE STATEMENTS BY SEVERAL DC DELS

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THAT THEY SUPPORTED THE PROPOSAL (WHICH MIYAZAKI CALLED HIS OWN) AND CLEAR INDICATION THAT ALL G-8 WOULD ACCEPT IT IF G-19 DID, COMPLAINED THAT G-8 AS SUCH HAD FAILED TO RESPOND TO LDC'S PROPOSAL FOR WORK PROGRAM. THEY ALSO CONTINUED THEIR DEFENSE OF THE PHRASING OF THE ITEMS ON THEIR OWN LIST, REITERATING THEIR VIEW THAT NEUTRALITY WOULD NOT BE APPROPRIATE FOR THIS PHASE OF CIEC. AFTER RELATIVELY BRIEF SESSION, HOWEVER, G-19 AGREED TO CONSIDER DC PROPOSAL. THEIR REACTION WILL PROBABLY BE CONVEYED THROUGH LDC CO-CHAIRMAN ALZAMORE DURING MORNING OF JULY 15.

5. DEVELOPMENT COMMISSION - G-19 RESPONDED TO G-8 WORK PROGRAM PROPOSALS AT TUESDAY SESSION OF DEVELOPMENT COMMISSION; BUT COUNTER-PROPOSALS REFLECTED VERY LITTLE MOVEMENT AWAY FROM ORIGINAL G-19 WORK PROGRAM, AND PROGRESS WAS LIMITED. G-19 PUSHED ESPECIALLY FOR INCLUSION OF AN ITEM ON SDR-LINK AND SEPARATE ITEM ON TRADE, AND ALSO PICKED UP CANADIAN PROPOSAL FOR DISCUSSION OF AGRICULTURAL TRADE. ONLY MINOR G-L9 CONCESSION WAS TENTATIVE AGREEMENT TO DISCUSS PRIVATE FLOWS. COMMISSION DISCUSSED G-L9'S COUNTER-PROPOSALS, WITH G-8 MAINTAINING PORTIONS OUTLINED ON PREVIOUS DAY. THERE WAS TENTATIVE AGREEMENT ON NON-CONTENTIOUS PARTS OF WORK PROGRAM, AND COMMISSION ADJOURNED TO ALLOW FOR FURTHER

CONSULTATIONS. IN CAUCUS, G-8 WORKED OUT COUNTER-PROPOSAL (TAKING CARE OF OUR MAIN CONCERNS) WHICH WELLENSTEIN WILL DISCUSS WITH CO-CHAIRMAN AIT-CHALLAL BEFORE THURSDAY'S MEETING.

6. FINANCE COMMISSION (FC) - JULY L3 FC SESSION SAW CONTINUATION OF DISCUSSION ON (A) AGENDA FOR AREAS OF CONCENTRATION FOR FC DURING REMAINING SESSIONS OF CIEC AND (B) TIMETABLE FOR TAKING UP AGREED AGENDA ITEMS. WITH REGARD TO (A) ALL LANGUAGE HAS BEEN AGREED TO WITH EXCEPTION OF G-L9 PROPOSED ITEMS ON MONETARY ASPECTS OF FINANCIAL ISSUES ON WHICH US
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AND EC DELS MAINTAINED STRONG RESERVATION. ON (B), G-L9 PROPOSED TIMETABLE FOR WORK PLACES DISCUSSION OF INDEBTEDNESS AT TOP OF LIST. SEVERAL G-L9 MEMBERS EXPRESSED HOPE THAT SUBSTANTIAL DISCUSSION OF THIS ITEM COULD BEGIN AT JULY FC SESSION, BUT CO-CHAIRMAN SPIERENBURG DOUBTED THAT THERE WOULD BE TIME TO DO SO. ALLOCATION OF WORK AMONG SESSIONS OF SECOND PHASE REMAINS TO BE DETERMINED, AND WILL BE DISCUSSED FURTHER AT JULY L5 G-8 AND FC SESSIONS. IMPORTANT QUESTION OF DIVISION OF WORK ON DEBT BETWEEN FINANCIAL AND DEVELOPMENT COMMISSIONS ALSO REMAINS OPEN AND NEEDS TO BE RESOLVED IN REMAINING DAYS OF CURRENT SESSION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OECDP20592
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760273-0018
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760755/aaaabwir.tel
Line Count: 255
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 20 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 APR 2004 by CunninFX>; APPROVED <13 SEP 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIEC: JULY COMMISSIONS - SECOND DAY
TAGS: EGEN, ETRD, EFIN, EAID, ENRG, OECD, CIEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006